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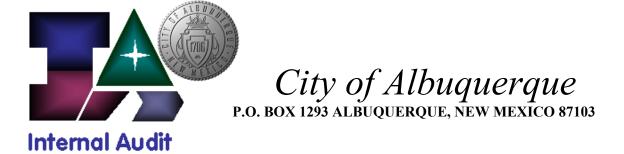
MANAGEMENT AUDIT REPORT

OF

REFUSE INCENTIVE PAY PROGRAM SOLID WASTE MANAGEMENT DEPARTMENT REPORT NO. 01-119



CITY OF ALBUQUERQUE OFFICE OF INTERNAL AUDIT



January 15, 2004

Internal Audit Committee City of Albuquerque Albuquerque, New Mexico

Audit: Refuse Incentive Pay Program

Solid Waste Management Department

01-119

FINAL

INTRODUCTION

The Office of Internal Audit reviewed the management of the Refuse Incentive Pay Program at the Solid Waste Management Department (SWMD). SWMD refuse employees can receive incentive pay under the terms of the current union contract for blue-collar workers. The contract states, "Refuse employees working under the incentive plan as provided will be paid for and given credit for a complete shift upon certification by the foreman that their routes have been completed. Every day when the foreman has certified the work as complete the employees will be given credit for a full day's work according to their work schedule."

The refuse incentive program (incentive) works in the following manner. If a SWMD refuse vehicle driver completes his route in five hours (to the satisfaction of his foreman), he would enter five hours of regular pay, and receive three hours of incentive pay on his timesheet, and be paid for a total of eight hours for the day. SWMD has 180 drivers who are eligible for incentive pay as of December 2003.

For fiscal years 1998 through 2003, the SWMD paid its employees almost \$4 million in refuse incentive pay, as follows:

| Fiscal Year | Amount of Refuse Incentive Pay |
|-------------|---------------------------------------|
| 1998 | \$ 611,138 |
| 1999 | 636,411 |
| 2000 | 705,227 |
| 2001 | 646,292 |
| 2002 | 710,373 |
| 2003 | 683,698 |
| Total | \$3,993,139 |

Additionally, when a SWMD refuse vehicle driver completes his route early, he is then able to work on another collection route, and collect overtime pay for working on the additional route. During FY2003, the SWMD collections divisions paid its employees \$798,000 of overtime and special pay.

SCOPE

Our audit did not include an examination of all the functions, transactions and activities related to the management of the SWMD Refuse Incentive Pay Program. Our audit testwork was limited to the following areas:

- Review compliance with City and SWMD polices and procedures, and other applicable rules and regulations.
- Review the impact of the Refuse Incentive Pay Program upon:
 - Refuse vehicle maintenance and repair costs
 - Accidents, injuries, damages and claims against the City
 - Customer calls for missed pickups of refuse
 - Drivers overloading refuse vehicles, and violating federal and state vehicle weight restrictions
- Review the process by which collection routes are established and changed.
- Review SWMD progress on the City's Performance Plan.
- Identify other business concerns that may impact the department's ability to achieve its goals.

This audit, and its conclusions, are based on information provided through interviews, tests and reviews of current procedures. We completed our fieldwork on August 15, 2003. We have based this report on our examination of activities through the completion date of our fieldwork, and it does

not reflect events after that date. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, requiring an external quality control review and Standard 3.03, requiring that individual auditors be free of impairments to independence. One of the auditors assigned to this audit engagement may have impaired his independence by participating in SWMD personnel matters. Once the impairment was identified the auditor no longer participated in the audit

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. THE SWMD SHOULD DETERMINE IF THE REFUSE INCENTIVE PROGRAM RESULTS ARE IN CONFLICT WITH ITS PROGRAM STRATEGY.

During FY2002, there were 155 SWMD employees who received incentive pay. The number of incentive pay hours ranged from 6 to 988, with an average of 348 hours. This means that these employees were paid for an average of 348 hours that they did not work, because on some days they finished their refuse collection route in less than eight hours.

A. Preventable Accidents

SWMD reports indicate that in calendar years 2001 and 2002, its refuse vehicle drivers had 52 vehicle accidents that were ruled preventable by the SWMD Loss Review Committee. The Loss Review Committee reviews accidents that cause injury or damage to City or public property. We determined that in 19 of these 52 preventable accidents, the SWMD driver received incentive pay on the day of the accident. This is 37% of the preventable accidents in 2001 and 2002. The incentive pay program may be one of the contributing factors to preventable accidents.

Citizens have been injured in accidents with SWMD refuse vehicles. On June 13, 2003, a SWMD refuse vehicle had an accident with a private citizen. On this day, the driver of the refuse vehicle received 3.75 hours of refuse incentive pay, which means that the driver finished his regular route in 4.25 hours. The Albuquerque Police Department (APD) accident report stated that the SWMD driver "failed to yield right of way" and that a citation was issued to this driver as a result of the crash. The APD accident report also stated that with respect to the citizen who was driving the other vehicle, there was "no driver error." The SWMD driver had three prior accidents, between April 2001 and April 2002. According to the Vehicle Maintenance Superintendent, the SWMD refuse vehicle

was purchased in 1995; therefore, he decided to salvage the vehicle rather than incur the costs to repair it.

Inadequate training for SWMD refuse vehicle drivers may be another factor contributing to preventable accidents (see Finding No. 2).

B. Missed Refuse Pick-ups

<u>Commercial Collections – 11,400 customers</u>. SWMD tracks the complaints it receives from commercial customers about missed refuse pick-ups. There were 355 occasions in calendar year 2002, in which SWMD received three or more complaints on the same day, claiming a commercial collections driver missed refuse pick-ups. The number of complaints in a single day, was as many as 15, for a single driver.

During this same period, there were 40 occasions in which SWMD received five or more complaints in the same day, claiming a commercial collections driver missed refuse pickups, and the commercial collections driver receiving refuse incentive pay on the same day. The refuse incentive pay program may be a factor in commercial collections drivers missing refuse pick-ups.

For example, on May 24, 2002, SWMD received nine complaints claiming that a driver had missed refuse pickups on his commercial collection route. On this same day, the driver received 5.85 hours of incentive pay, or finished his route in 2.15 hours. On December 5, 2002, SWMD received five complaints claiming that a driver had missed refuse pickups on his commercial collection route. On this same day, the driver received 4.25 hours of incentive pay, or finished his route in 3.75 hours.

<u>Residential Collections – 140,000 customers.</u> The FY2002 SWMD Performance plan projected that the department would have 7,200 "residential service recovery calls." This is SWMD terminology for customer complaints about missed residential refuse pick-ups. In FY2002, the SWMD logged 11,250 residential service recovery calls.

SWMD personnel stated that there were more residential service recovery calls than were projected because the department call center experienced an increase in the volume of calls due to increased responsibilities. The increased responsibilities included accepting calls for Customer Service Representatives, commercial collection, residential collection, customer billing, large item collection, graffiti and requests for special non-scheduled pick-ups as well as the calls for missed residential pick-ups. However, SWMD does not track the calls by type. In FY2003, the SWMD increased its projection for "residential service recovery calls" to 13,900.

SWMD management informed us that some of the calls for missed pick-ups are duplicates. Residents are impatient and call more than once. Additionally, some claimed missed pick-ups are due to containers being inaccessible, containers that were put out late and pick-ups that occurred later in the day than normal. The SWMD does not track the resolution of the calls for missed pick-ups, so we could not verify this information.

The incentive program requires that refuse employees working under the incentive plan will be paid for a complete shift upon certification by the foreman that their routes have been completed. The residential and commercial foremen have trucks assigned to them so that they can be in the field to supervise the activities of the drivers in their group. The large number of both commercial and residential missed pick-up reports indicates that the foremen may need to review the criteria used to certify that drivers' routes are complete. Completeness of a route should include the quality of the service provided to the SWMD customers.

C. Vehicle Repair and Maintenance Costs

SWMD refuse truck drivers are assigned a primary vehicle that they operate on their route. We identified the average repair and maintenance costs for 2002, for the primary vehicle(s) that were operated by SWMD refuse vehicle drivers who received the highest amounts of refuse incentive pay in calendar year 2002. The following list reflects this information:

| Truck Type | Average cost for high incentive drivers | Average cost for other drivers |
|---------------------------------------|---|--------------------------------|
| 2001 Front Loader Commercial | \$ 16,643 | \$ 13,200 |
| 1996 Front Loader Commercial | 32,267 | 26,700 |
| 1997 Front Loader Commercial | 41,433 | 36,700 |
| 2001 Residential Automated Collection | 29,156 | 23,453 |

The refuse incentive pay program may be a factor in higher refuse vehicle repair and maintenance costs. If drivers benefit by completing a route quickly in order to receive incentive pay, the additional stress on a vehicle may require more repairs and maintenance.

D. <u>Uncorrected Safety-Related Problems</u>

We reviewed vehicle work orders for the period from September 2002 through July 2003. We noted 61 vehicle maintenance work orders for safety-related repairs (such as tires, lights, back-up horn, brakes), where the work order specifically stated that the drivers took the vehicles on their route before the repairs were done.

When a driver reports a mechanical problem with a vehicle to the SWMD Vehicle Maintenance Division, a work order is generated, and the driver is supposed to leave the vehicle in an area by the SWMD garage called the dead line. The vehicle is not supposed to be removed from this area by the driver until the problem is repaired. However, there are occasions when the mechanic, who is assigned to repair the vehicle, has not been able to locate vehicles. There were an additional 29 safety-related work orders that stated that the vehicle needing repairs was not on the dead line, or not in the SWMD yard, when the mechanic went to get the vehicle to repair it.

We selected a sample of 20 of the 90 work orders mentioned above to determine if the drivers received incentive pay. In nine of these 20 cases, the SWMD could not determine who the driver of the truck was. Six of the 11 identified drivers (55%) received incentive pay for the day the vehicle was taken before the repairs were done. Drivers may have taken vehicles in need of repair in order to complete routes and receive incentive pay.

The City has a written policy that states that "No equipment in the custody of Fleet Management will knowingly be returned to service in an unsafe condition." The second follow-up of audit 99-105, dated August 13, 2002, Purchase of Refuse and Major Replacement Parts, noted that although vehicle maintenance work orders for safety-related repairs were issued, the work order specifically noted that drivers took the vehicles on their route before the repairs were done. In response to this finding, the SWMD stated, "The SWMD agrees that policies regarding the deliberate operations of unsafe vehicles should be strengthened and the SWMD has a new red tag policy in place. If a vehicle is reported for a safety issue it is tagged and will not be removed until repaired. Disciplinary action in accordance with the departmental policy will be taken if vehicle is removed with tag attached."

SWMD has instituted a red tag program for vehicle safety issues. However, the vehicles are not red-tagged until a mechanic has reviewed the work order and verifies the issue. Consequently, there may be a delay in red-tagging vehicles.

E. Overloaded Refuse Vehicles

According to federal law (23 USC Section 127 [01/24/94]) "the maximum gross weight to be allowed by any state for vehicles using the Dwight D. Eisenhower system of Interstate and Defense Highways . . . may not exceed eighty thousand pounds . . ." According to the federal and state weight limit laws, some vehicles have lower maximum gross legal weights due to the size of the vehicle, and factors such as the number of axles and the length of the vehicle's wheelbase. For example, the 2001 front loader refuse vehicles used in the SWMD Commercial Collections Division have a maximum gross legal weight of 55,800 pounds.

These refuse vehicles use the interstate highway system to get to the City's landfill, and are therefore subject to weight restrictions mandated by this federal law. SWMD records indicate that many SWMD refuse vehicles entering the Cerro Colorado Landfill exceed the maximum gross legal weights allowed by law.

For the 24 drivers who were identified as receiving the highest amount of incentive pay during 2002, 15 drove trucks into the landfill that consistently weighed over the legal limit. For these drivers combined, their trucks were overweight on 1,372 days. On 1,214 of those days, the driver received incentive pay. The desire to finish his/her route in less than eight hours may persuade drivers to make fewer trips to the landfill, thereby overloading his/her truck.

This is a repeat finding from Audit Report 96-123, Management Audit of SWMD Vehicle Maintenance Division, issued July 11, 1997. That report stated, "SWMD drivers should comply with federal weight limitations." The audit noted that during a three-month period in 1996, SWMD refuse vehicles exceeded legal weight limitations on 324 occasions, while transporting garbage to the City's landfill via Interstate 40. SWMD responded, "The Department will monitor the weight of vehicles more closely and identify those drivers who consistently go into the landfill overweight." The SWMD has not developed a process to adequately monitor the weights of vehicles going into the landfill.

Some commercial collection drivers pick up roll-off bins that have compactors. The compactor allows a business to increase the amount of refuse in its bin by compacting the refuse. According to SWMD management, the driver's cannot be held responsible for overweight roll-off bins. However, if SWMD were monitoring the weights of its trucks entering the landfill, the customers with overweight roll-off bins could be identified and made aware that their roll-offs are unacceptably heavy.

The unintended results of the incentive program could be an increase in safety risks, cost of operations, legal liabilities and customer dissatisfaction. The program was established to reward drivers for completing routes quickly and efficiently. In order to be effective, program

policies and procedures should be reviewed on a regular basis. The SWMD program strategy in the FY2003 Performance Plan is "To safely and efficiently collect commercial and residential solid waste." The department needs to determine if the policies or procedures no longer support effective and efficient performance by drivers, but rather encourage drivers to perform in a manner that is inefficient, unsafe and costly.

Routes that are routinely completed in less than 8 hours should be reevaluated to determine if the route is too small. SWMD should continually evaluate the amount of trash being collected and the amount of time allocated to collect the trash to determine if resources (drivers and trucks) are being efficiently allocated.

The City paid approximately \$4 million in incentive pay directly to SWMD refuse collection drivers during fiscal years 1998 through 2003. However, there may be additional indirect costs of the incentive program that have not been considered by the Administration. Increased costs due to preventable accidents, missed refuse pick-ups, and vehicle repair and maintenance may all be related to the incentive program. Additionally, drivers may be overloading vehicles and taking vehicles with uncorrected safety-related problems in order to complete their routes quickly and earn incentive pay. Although the costs of these items are difficult to capture, the incentive program may influence them.

RECOMMENDATION

The SWMD should examine the relationship of the Refuse Incentive Pay Program to:

- Preventable accidents
- Damage to private property
- Missed refuse pick-ups
- Overloaded trucks
- Vehicle repair costs
- Driving vehicles needing safety-related repairs

The SWMD should determine if the Refuse Incentive Program results are in conflict with its program strategy "To safely and efficiently collect commercial and residential solid waste"

EXECUTIVE RESPONSE FROM SWMD

"SWMD agrees that, in certain instances, there could be a dichotomy between the Refuse Incentive Program and the program strategy 'to safely and efficiently collect commercial and residential solid waste'. However, at this time, there does not appear to be a clear and consistent correlation between the Refuse Incentive Pay Program and preventable accidents, damage to private property, missed refuse pick-ups, vehicle repair costs, or the operation of vehicles needing safety-related repairs. As the Department becomes more proficient in establishing performance measures, and tracking operating results related to those measures, additional analysis should indicate where changes may be needed in the Refuse Incentive Pay Program to help the Department meet its program strategy.

"Preventable Accidents/Damage to Private Property: The pay program/incentive pay as it relates to the incident described above, should reflect that the driver was placed on Administrative Leave for the remainder of the shift, which is city policy. To comply with the Safety Program Strategy, the Department will reinstate the eight-hour 'refresher' class for all drivers where the incidents are found preventable.

"Route audits by foremen, in cooperation with the Routing Office, are intended to provide the driver with the safest paths when running their routes through use of the Route Smart software programs. This software accounts for all obstacles when driving such as traffic congestion, oneways, stop signs and proposes the most efficient driving route. Both of these efforts will help reduce the number of preventable incidents.

"Missed Refuse Pickups: The ability to respond to customer complaints has been greatly enhanced with the addition of cell phones for all customer service representatives, field supervisors, and assistant superintendents. This allows for quicker and more efficient response time by drivers and customer representatives.

"The redefining of the Communication Call Center on January 6, 2003 for each Collection Division to handle their own inquires has streamlined the complaint tracking process. These two efforts will assist with service recovery time. Customer behavior also impacts driver behavior, such as blocked containers, late placements of carts, overloaded containers and placement of unacceptable wastes in containers.

"Vehicle Repair and Maintenance Costs: Increased maintenance costs could be a result of the driver's incentive program. The examples used in this audit show same year vehicles with incentive time drivers having higher

maintenance costs than others. The research into this would also have to take the route structure into consideration. The type of waste each truck picks up (restaurant, industrial, auto body, etc.) would have to be looked at, along with incentive time in these cases.

"Uncorrected Safety-Related Problems: The drivers have not driven vehicles that have been red tagged by the Vehicle Maintenance Division. The red tag policy was implemented so that when a mechanic found a safety problem that could not be repaired or was sent out for repair, the vehicle was not used. The Division will expand the program to include vehicles it has not yet looked at and tire repair work orders.

"Overloaded Refuse Vehicles: The SWMD vehicles have exceeded the bridge law limits on their trips to the landfill. The vehicles were designed to have a carrying capacity of 60,000 pounds to ensure that safety and load issues would not become a factor.

"SWMD looked into a weight scale system using the newer suspension present on vehicles. This system has just been developed and one will be purchased when made available to the public."

2. <u>SWMD SHOULD DEVELOP PROCESSES TO TRAIN DRIVERS PRIOR TO PLACING</u> THEM IN PRODUCTION.

In the process of reviewing unintended outcomes of the incentive program, we noted a large number of preventable accidents. We looked at other causes that might be contributing to preventable accident rates. During 2001 and 2002, SWMD drivers had 52 accidents that were ruled preventable by the SWMD Loss Review Committee. Some drivers had multiple preventable accidents during this period. One driver had three preventable accidents during this period. Two other drivers each had two preventable accidents during this time period.

In 1994, the Occupational Safety and Health Administration (OSHA) did an investigation of SWMD safety practices as a result of the death of a SWMD employee at the City's landfill. According to the City's Loss Prevention Manager, there have been four deaths at City landfills in the last 15 years. He also informed us that part of the settlement between OSHA and the City in 1995 was that the SWMD would implement a formalized training program for refuse vehicle drivers. The SWMD policies regarding the training of refuse vehicle drivers, makes reference to U.S. Department of Transportation (DOT) regulations. DOT regulation 383.110 states, "All drivers of commercial vehicles shall have knowledge and skills necessary to operate a commercial motor vehicle safely"

In July 2000, a previous SWMD director established a departmental refuse vehicle driver training policy designed to ensure compliance with this regulation. This policy required that all driver trainees attend two weeks of classroom instruction, and also meet a minimum requirement of field training of either two weeks or four weeks, depending on the specific type of refuse vehicle that the driver was going to operate. During this field training period, a "certified" field trainer would be with the driver trainee, and was required to prepare daily written reports on the trainee's progress. The departmental driver training policy requires that field trainers be certified as a trainer. Currently, they are not necessarily trained on the specific vehicle.

During 2002 and 2003, six Transit employees were hired by SWMD as residential collection drivers. Drivers are required by the departmental training policy to have two weeks of classroom instruction, and a minimum of four weeks of field training on residential automated collection vehicles. These six drivers did not receive this training. One of these drivers had an accident four months after he began working for SWMD.

In 2002 and 2003, three other Transit employees were hired by SWMD as commercial collections drivers. These three drivers had the two weeks of classroom instruction, as required by the departmental policy. However, these drivers did not receive the field training that was required. One of these drivers was assigned to operate a commercial rear loader vehicle in April 2003. Three days after the driver began operating this vehicle, he had an accident. Another one of these three commercial collections drivers had an accident 17 days after he started driving the vehicle.

In addition to the drivers that were hired from Transit, from January 2002 through June 2003 SWMD hired 21 other individuals as drivers. Of these 21 drivers, 13 had the required two weeks of classroom training. Eight of these new drivers had no classroom training. Of these 21 drivers, eight had the required amount of field training. Three of the 21 drivers had no recorded field training, and 10 had less recorded field training than is required.

A SWMD residential refuse vehicle driver had an accident in May 2003, in a vehicle that he did not have the complete field training for, as required by the SWMD driver training policy. Another SWMD residential refuse vehicle driver had a preventable accident in August 2002, in a vehicle for which he had no recorded field training.

In July 2003, the auditors discussed this situation with SWMD personnel. A SWMD superintendent stated that the driver-training program would be reinstated for a group of four commercial collections drivers that began employment on July 14, 2003. Four days later, the SWMD Training Coordinator stated that all four new commercial collections employees had

been actively operating commercial refuse collection vehicles during the first week of their status as commercial collections drivers, although they had not yet received the required training.

SWMD's previous procedure to train refuse collection drivers was designed to train individuals from other departments who were interested in working as drivers at SWMD. SWMD circulated a notice citywide to inform interested parties that a training course would be offered. The Training Section of SWMD would have two-weeks of classroom training for these individuals. These individuals would then go back to their jobs and fill vacant positions in the refuse collection area as they became available.

According to SWMD training personnel, this process began to break down sometime in 2002. The individuals who had been trained did not want to accept open positions with SWMD. In order to fill vacant positions, managers were hiring individuals who had not been previously trained. This disrupted the system that SWMD had developed to efficiently train a group of individuals. It was more difficult to develop and carry out training for one new hire at a time. Therefore, new hires were being placed in production as they were hired.

SWMD training personnel have stated that the department is trying some different methods to have classes that train more than one individual at a time and still place them in production quickly. Drivers placed in production without sufficient training do not help to achieve the goal of efficient refuse collection if they are having accidents. Managers should be committed to the department's goals and held accountable to support processes that will achieve the goals.

RECOMMENDATION

SWMD should develop processes to train drivers prior to placing them in production in order to achieve efficient refuse collection and avoid accidents.

SWMD should perform some analyses to determine if the amount of training a driver receives prior to operating refuse vehicles is a factor in the number of preventable accidents occurring. The SWMD should develop a process to determine if drivers who have multiple preventable accidents need supplemental training.

EXECUTIVE RESPONSE FROM SWMD

"SWMD concurs. Processes are in place to provide a combination of classroom and field training before a driver is certified to drive the assigned equipment. An Annual Business Retreat held on September 12, 2003 resulted in the re-establishment of safety as a 'number one priority.'

"The Director called for a committee to be organized consisting of one person per Division, with the Safety Section head as the chair. The committee is to analyze the current driver training and certification efforts and make recommendations to the Director about how to standardize all training throughout the entire Department. The Committee is also to review the Accident Review Process and make recommendations to the Director for implementation and improvement. This process is expected to help in the reduction of accidents, claims, damages and injuries.

"Due to a lack of drivers and equipment, the past practice of sending drivers to an eight-hour refresher class after an incident was discontinued. This will be reinstated with a Director's Administrative Instruction."

3. SWMD SHOULD ASSIGN RESPONSIBILITY TO ENSURE THAT COLLECTION DRIVERS ARE ISSUED CITY OPERATOR'S PERMITS WHEN HIRED AND THAT THE PERMITS REMAIN CURRENT

The Department of Finance and Administrative Services, Loss Prevention Section (Loss Prevention), administers the issuance and maintenance of City Operator's Permits (permit). The Chief Administrative Officer's Risk Management Manual states, "No person shall operate a motor vehicle owned by the City of Albuquerque upon any street or highway without a valid New Mexico driver's license and a City issued operator's permit." Loss Prevention issues permits after the driver has had his New Mexico Motor Vehicle Division (MVD) record checked, and has attended the City's defensive driving course.

We traced individuals who had preventable accidents to Loss Prevention records to verify that these drivers had a valid permit. One refuse collection driver who had a preventable accident did not have a permit. This driver should not have been operating a City vehicle. Loss Prevention performs a weekly check of the state MVD records to determine if any City drivers who have been issued permits, have had their state drivers license suspended. If a driver had his license suspended, Loss Prevention notifies the employee's department director. SWMD management states that it has the capability of reviewing MVD records and every Monday it sends out any notice of violations or suspensions to drivers' supervisors.

Because this SWMD driver did not have a permit, Loss Prevention would not have periodically checked his MVD record, to see if his license got suspended. This individual was hired in November 1996. When Loss Prevention checked this driver's MVD record as a result of this audit, they found that he had his drivers license suspended two times in 1997,

after his hire date, and five times, in the three-year period, prior to the date of his hire. This driver had two preventable accidents in a fifteen-month period as a SWMD driver.

Human Resource Department (HRD) personnel informed us that they verify that an applicant has a Commercial Drivers License (CDL), prior to referring the applicant to SWMD. However, they stated that they do not review the applicant's driving record. HRD ensures that applicants meet the minimum requirements established for a position. The job specifications for Residential or Commercial Refuse Drivers lists desired knowledge and abilities; they do not include having a good driving record. HRD stated that establishing any additional qualification requirements is the responsibility of SWMD.

SWMD informed us that when they evaluate a candidate for the position of refuse vehicle driver, they do not review, or take into consideration the candidate's prior driving record. They informed us that if the HRD determines that the applicant meets the minimum qualifications for the job (having a CDL), that they can hire that candidate.

As of August 1, 2003, there were five SWMD refuse vehicle drivers who had expired permits. One of the driver's permits expired in August 2001. According to the City's vehicle rules and regulations, these five drivers should not be operating City vehicles. SWMD should establish the responsibility for tracking the status of drivers' permits. Part of the driver hiring process should include ensuring that permits are obtained. When SWMD determines that a refuse vehicle driver's permit has expired, the division superintendents should be informed and they should ensure that the driver does not operate a refuse vehicle until the permit has been reinstated.

RECOMMENDATION

SWMD should assign responsibility in the department to ensure that collection drivers obtain City Operator's Permits when hired and that the permits remain current.

SWMD should add a requirement for a driving record that is free of suspensions or other serious MVD action as a condition for hire for refuse vehicle driver positions.

EXECUTIVE RESPONSE FROM SWMD

"The Department has assigned a staff person to ensure that all drivers have current City Operators Permits. At the beginning of each calendar year, the Safety & Security Section will issue a report to the superintendent of each division containing the name and COP expiration date of each driver. The

superintendents will then be responsible for scheduling the employee for recertification training. Each employee will also be responsible for their attendance at the training sessions and keeping their State of New Mexico driver's licenses current.

"The Department also has an assigned staff person with access to the State of New Mexico Motor Vehicle Department Records to run monthly drivers checks on all Department employees. This allows for checks of all violations and any possible unreported Driving Under the Influence, which could prevent someone from driving for the Department.

"The conditions for hire are not directly assigned to the Department, other than that of the driver maintaining a current New Mexico driver's license and a current Class A or B Commercial Driver's designation.

"During the interview process driver candidates are asked about their current driving record. In the future when the selection of a driver has been made, and before the position is offered, a Motor Vehicle Department driving record check will be done."

4. <u>SWMD SHOULD CONTRACT WITH SEVERAL VENDORS TO ENSURE A</u> SUFFICIENT INVENTORY OF TIRES IS AVAILABLE.

We reviewed SWMD vehicle maintenance work orders to determine if drivers were receiving incentive pay while taking vehicles needing repairs on their routes. One of the issues that we noted was refuse vehicle drivers operating trucks with tires that violated the Department of Transportation (DOT) regulations.

Section 393.75, Tires, of the Federal Motor Carrier Safety Regulations, U.S. DOT, Federal Highway Administration, states "No motor vehicle shall be operated on any tire that (1) has body ply or belt material exposed through the tread or sidewall . . . tires shall have a tread groove pattern depth of at least 2/32 of an inch when measured in a major tread groove "

The SWMD has a contract with a vendor who provides recapped tires to the department for installation on refuse vehicles. For several months of 2003, the vendor was not able to supply the SWMD with a sufficient number of recapped tires. SWMD contacted three other vendors to request bids for 100 tire caps and casings. The vendor with the lowest bid was awarded the contract. However, after receipt of the order, the vendor could not supply the tire caps and casings in the two-week time frame requested by the department. As a result, tires that did not meet DOT specifications were not replaced.

A work order dated May 2003 stated that a refuse vehicle needed to have tires replaced. The work order was closed without any tires on the truck being changed because tires were not available.

On July 10, 2003, we inspected refuse vehicles in the parking area with the SWMD Vehicle Maintenance Superintendent, and observed that there were vehicles that had one or more tires that did not meet DOT specifications. The SWMD Vehicle Maintenance Superintendent stated that these tires would not meet DOT tire regulations.

The SWMD tire shop received a shipment of tires during the week of July 14, 2003. From July 15 through July 19, the SWMD tire shop replaced 144 tires on refuse vehicles. Eleven refuse vehicles had four tires replaced on them. One refuse vehicle had six tires replaced.

The vendor could not supply SWMD with an adequate supply of replacement tires. As a result, the SWMD operated refuse vehicles that did not meet DOT safety-related regulations. Section 393.1 of the DOT regulations states, "No employer shall operate a commercial motor vehicle, or cause or permit it to be operated, unless it is equipped in accordance with the requirements and specifications of this part."

This is a repeat finding from Audit Report 96-123, SWMD Vehicle Maintenance Division, which was issued on July 11, 1997. That report identified "... 108 refuse vehicles that had been operated on 359 different occasions with bald tires." As a response, SWMD stated that, "The Department policy is that unsafe equipment should not be allowed to be operated until repaired."

SWMD was initially relying on one vendor to supply recapped tires. If one vendor cannot meet SWMD tire needs, then multiple vendors should be contracted with to supply the recapped tires. SWMD cannot meet its safety goals if trucks are routinely operated with tires that did not meet DOT specifications.

RECOMMENDATION

SWMD should contract with several recap tire vendors to ensure a sufficient inventory of tires is available.

EXECUTIVE RESPONSE FROM SWMD

"SWMD agrees and has already re-bid this contract with multiple vendor

awards."

5. <u>SWMD SHOULD HOLD DRIVERS RESPONSIBLE FOR UNREPORTED CLAIMS AND DAMAGE TO PRIVATE PROPERTY.</u>

From 1996 through 2002, SWMD safety records indicate that there were 134 cases of claims or damage to private property in which the drivers' identities were not known. In 2002, there were 17 situations in which SWMD refuse vehicles damaged private property, but the driver did not report the claims and damage to management. Seven of the 17 incidents involved damage to citizens' vehicles. Although SWMD records indicate that the employee who caused the damage to private property was unknown, the department has records that show which employee worked each route.

Examples of accidents that were not reported by drivers to their supervisors include:

- A work order shows that a refuse truck was hit by another truck on SWMD property in April 2003. SWMD safety employees informed the auditor that they did not have any record of this accident.
- Another work order stated that in May 2003, a SWMD truck was sideswiped by another refuse vehicle in the SWMD yard.
- According to a July 2003 work order, a refuse vehicle had damage from an "unreported accident."

This is a repeat finding from the Second Follow-up to Audit Report 99-105, Purchase of Refuse Vehicles and Major Replacement Parts, which was issued on August 13, 2002. The report noted four instances of unreported accidents involving refuse vehicles, as recorded in vehicle maintenance work orders. The SWMD responded that it "... agrees that the appropriate level of management will review all accidents or driver abuse. The SWMD will review work orders to identify problems in this area with appropriate Superintendent."

RECOMMENDATION

SWMD should use the records of route assignments to identify employees who are responsible for unreported damage to private property.

When the SWMD Maintenance Division observes damage on a vehicle, it should verify with the safety section that the damage has been reported.

SWMD should establish a discipline policy for drivers and supervisors who are repeatedly involved in accidents that are not reported.

EXECUTIVE RESPONSE FROM SWMD

"SWMD concurs. The Department has installed a new GPS process (currently installed in 29 front loaders) that can help track collection vehicles on route. This is a check and balance system that can verify time, location and date of collection for the route in question. This information can be used to document any incident that may have gone unreported or incorrectly identified as a City of Albuquerque collection vehicle. Other users scheduled for installation of the GPS are the roll-off and recycling collection routes. Calls concerning missed pickups can also be verified with this system.

"Vehicle Maintenance does assist by responding to incidents in the field, and by reporting suspicious damage to a vehicle that is turned in for repairs to the proper Division. The Accident Review Process holds drivers and supervisors accountable when incidents are reported and identified. The Director has issued a verbal warning that all incidents will be reported, and discipline given when the policy is not followed."

6. SWMD SHOULD ENSURE THAT PROCEDURES ARE FOLLOWED TO ADDRESS THE RISK OF PREVENTABLE ACCIDENTS

The SWMD, Safety, Security and Training Section, did an internal evaluation of the Loss Review Committee (committee) process in April 2002. This evaluation determined that there is an increasing trend by the committee to classify accidents and damage to private property as for record purposes only (RPO).

If an accident or damage to private property is determined to be preventable by the committee, it is reflected in the employee's record, and can eventually affect the employee's status with SWMD. According to this evaluation, there was a 50% increase in non-accountability cases (RPOs) from 1997 to 2000. SWMD safety personnel informed us that RPOs are not counted against a driver's performance record.

The internal SWMD evaluation noted that the committee was not investigating a number of these cases, although evidence had already been established which indicated that the driver was at fault. The Safety, Security and Training Section personnel also informed us that some drivers were receiving safety awards despite having accidents because the accidents or

damage to private property had been classified as RPO, rather than being fully investigated by the committee. The evaluation stated that the opportunity to implement corrective safety measures was reduced by the RPO classification. The evaluation recommended that the RPO category be re-established to a much more limited use, as was its original intended status. SWMD management has not responded to the evaluation.

SWMD is unable to address safety issues and driver responsibility if accidents are not investigated. Drivers who repeatedly have preventable accidents should be held accountable. SWMD can only address the risk of potentially preventable accidents if the information is available.

RECOMMENDATION

SWMD should ensure that procedures are used to address the risk of preventable accidents.

The SWMD should limit the usage of the classification of accidents and damage to private property as "for record purposes only."

EXECUTIVE RESPONSE FROM SWMD

"SWMD concurs. The Department has taken action against drivers with several preventable incidents, which have resulted in discipline up to, and including, termination.

"The Department's Accident Review Process classifies accidents, injuries and claim and damage into three classes: preventable, non-preventable and 'for reporting purposes only' (RPO). RPO's are labeled as such when not enough data is available about the incident. One example is when a windshield is cracked or broken on the freeway and the incident cannot be attributed to a specific vehicle and/or driver. RPO's will be reduced and every incident will be heard.

"The Accident Review Committee that hears the incident also has a second vote on non-preventable outcomes. This vote is to determine the driver's eligibility for the Safety Incentive."

7. <u>SWMD SHOULD DETERMINE THE CAUSES OF THE DIFFERENCES BETWEEN PERFORMANCE GOALS AND ACTUAL PERFORMANCE.</u>

The City utilizes performance based budgeting where inputs such as appropriations require certain outputs. The intent of performance based budgeting is to have the budget tie to the performance plan, which is approved annually in conjunction with the City of Albuquerque operating budget. A complete performance management system includes performance standards against which actual performance is reported, monitored, and compared. The SWMD reports data regarding its accomplishment of measures listed in the City's annual performance plan.

Refuse Collections

The City's FY2002 Performance Plan projected 92% customer satisfaction for residential and commercial collection. In July 2003, SWMD reported actual customer satisfaction of 92%. The department stated that the actual number was a carry over from FY2001 and was reported in error.

In 2002, the SWMD completed a survey of commercial collections customers with the assistance of the City's Office of Management and Budget (OMB). Responses to three of the statements related to customer satisfaction follow.

"The solid waste driver consistently collects the container on the scheduled collection day(s)."

- 62 % agreed or strongly agreed with this statement
- 23% disagreed or strongly disagreed with this statement

"The solid waste driver collects the container in a safe manner."

- 76% agreed or strongly agreed
- 5% disagreed or strongly disagreed

"During the collection process, garbage is not spilled by the solid waste driver."

- 51% agreed or strongly agreed
- 29% disagreed or strongly disagreed

In October 2000, the SWMD had an outside vendor perform a survey of residential collections customers. Responses to three of the statements related to customer satisfaction follow.

"The Solid Waste Management Department provides courteous service."

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- 75 % agreed or strongly agreed
- 7% disagreed or strongly disagreed

"The Solid Waste Management Department provides reasonable rates for the service provided."

- 67 % agreed or strongly agreed
- 9% disagreed or strongly disagreed

The results of the surveys indicate that actual customer satisfaction is less than 92%. SWMD should ensure that actual results are reported accurately.

Curbside Recycling

SWMD projected that curbside recycling citizen participation rate in FY2002 would be 46%. For FY2002, SWMD reported that citizens actually participate in curbside recycling at least once a month 42 % of the time. SWMD personnel stated that this rate was based on a 2001 department survey. This survey determined that the 42% curbside recycling citizen participation rate was distributed in the following areas of the City:

| North Valley & Central Albuquerque | 9% |
|--|------------|
| West Side, Southwest Mesa & South Valley | 11% |
| Foothills & East Gateway | 22% |
| Mid Heights & Near Heights | 27% |
| North Albuquerque | <u>31%</u> |
| Total of the 42% participating | 100% |

Accidents, Claims & Damages, and Injuries

The City's FY2002 Performance Plan included the following items:

| | Projected | Reported | Actual |
|-------------------------------|------------------|----------|---------------|
| Residential Collections | | | |
| Accidents | 25 | 8 | 28 |
| Claims / Damages | 60 | 22 | 63 |
| Injuries | 20 | 8 | 36 |
| Commercial Collections | | | |
| Accidents | 35 | 28 | 40 |

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| Claims / Damages | 90 | 134 | 107 |
|------------------|----|-----|-----|
| Injuries | 10 | * | 12 |

^{*}Actual injuries were not included for FY2002 – the information was collected and reported, but did not show up in the final copy of the report.

Commercial Collections Routes Scheduling

Priority Objective 19 is to increase efficiencies in commercial collections routes by implementing time based routes vs volume based routes through a route smart computer system.

The SWMD Department Director stated that the department continues to use the Volume Based Route system in the commercial and residential collections divisions. The software has been tested to adjust some residential collection routes, Saturday commercial routes and caster routes in accordance with a union memo of agreement. SWMD has not changed the priority objective to reflect the department's intention.

SWMD Vehicle Maintenance Division – Refuse Vehicle Availability

The City's FY2002 Performance Plan did not include any items relating to the SWMD Vehicle Maintenance Division. The City's FY2003 Performance Plan included the following output measure: To provide 100% collection vehicles availability to the Solid Waste Management Department.

The goal of the SWMD Vehicle Maintenance Division for FY2003 was to provide all of the trucks that were needed by the Residential and Commercial Collections Divisions to service the daily garbage routes. The data provided by SWMD personnel showed the actual availability of vehicles for FY2003.

| | Vehicles needed | Days measure not met |
|--------------------------|-----------------|----------------------|
| Residential Collections | 44 | 113 |
| Commercial front loaders | 34 | 47 |
| Commercial roll-off | 35 | 8 |

There may be several reasons that the output measure was not met.

• SWMD has an aging fleet that cannot be replaced due to budget constraints.

- The SWMD Vehicle Maintenance Division may not be doing an adequate job of maintaining the SWMD refuse collection vehicles
- SWMD refuse vehicle drivers abuse their vehicles in order to complete their routes early, to be eligible for refuse incentive pay. As noted in Finding No. 1, refuse vehicle drivers who receive high incentive pay have vehicles that have higher than average maintenance and repair costs. This also results in greater downtime for these vehicles.

If significant differences are identified between the goals and the actual performance, managers should determine the causes of the differences and either develop solutions to bring performance into line with the goal, or adjust the goal to make it more realistic and achievable. Management should consider performance measurement to be an ongoing process. An effective performance measurement system can serve to improve management and increase public confidence in government programs.

RECOMMENDATION

SWMD should refine the measurement process to determine the causes of the differences between performance goals and actual performance, and either develop

solutions to bring performance into line with the goal, or adjust the goal to make it more realistic and achievable.

SWMD should develop procedures that ensure the data reported for output and quality measures accurately reflects actual performance.

SWMD should examine the impact of operators' driving habits on vehicle availability.

EXECUTIVE RESPONSE FROM SWMD

"SWMD concurs. The Department will conduct a closer review of all performance data, all changes and key initiatives, strategic accomplishments, input measures, output measures and quality measures. This should reduce the possibility of carry over data from one fiscal year to the other. Council directives and past priority objectives must also contain correct information. The Performance Goal is a true reflection of the Department's mission.

"The gathering and reporting of the data across the Divisions may need more attention. In the past, the Research and Planning Section was responsible for this particular task. However, this position was reassigned other duties and the process was no longer centralized. In FY05, the plan is to assign these tasks to a Management Analyst position that became vacant due to a retirement.

"SWMD agrees that refinements can be made to the goals and performance measures for refuse vehicle availability. The daily 'pass down sheet' used to measure availability will have to be adjusted to show actual needs and new vehicle purchases.

"General Response From the CAO: The Executive Safety Committee was reactivated in the spring of 2003. Among the tasks they have taken on is a rewrite of the City's Operator's Permit program. The initial draft is currently being circulated among the Committee members, with the goal of seeking departmental input during the spring of 2004. In addition, a comprehensive review of the accident review process is underway."

CONCLUSION

By implementing these recommendations, the SWMD will more effectively manage the Refuse Collection Program.

We appreciate the assistance and cooperation of SWMD personnel during the audit.

| | REVIEWED and APPROVED: |
|---|---------------------------|
| Senior Auditor | Audit Manager |
| APPROVED: | APPROVED FOR PUBLICATION: |
| Debra D. Yoshimura, CPA, CIA, CGAP Internal Audit Officer | Chairman, Audit Committee |

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